

Message Text

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ACTION EB-11

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COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

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FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 1723

INFO AMEMBASSY CONAKRY

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E.O. 11652: NA

TAGS: EMIN GV LI JA

SUBJ: IRON ORE - MIFERGUI

REF: CONAKRY 216

SUMMARY: RE PARA 2 REFTTEL NIPPON STEEL CORP (NS) CONFIRMED IT HAS TAKEN INITIATIVE IN DRAFTING DOCUMENT TO BE USED AS BASIS NEGOTIATING ENTRY PRINCIPAL IRON ORE CONSUMERS (FORMER CLASS B PARTNERS) INTO MIFERGUI. NS FORWARDED DRAFT TO REMAINING FOUR CONSUMERS EARLY MAY AND HOPES BY END JUNE THAT AGREEMENT WILL BE REACHED AMONG CONSUMERS ON NEGOTIATING POSITIONS VIS A VIS MIFERGUI AND GUINEAN GOVT. END SUMMARY.

1. ACCORDING MR. OSAMU TAKAHASHI, MGR., 2ND IRON ORE DEPT., NS, GENESIS NS LEADERSHIP BRINGING CONSUMERS (US STEEL, FINSINDER, BRITISH STEEL, COFEI AND JAPANESE GROUP COMPOSED OF NS, SUMITOMO METAL, KAWASAKI STEEL, KOBE STEEL, NISSHIN AND NIPPON KOKAN) INTO MIFERGUI WAS GUINEAN GOVT REQUEST THAT NS SEND REP TO SEPT 1973 MADRID MEETING. (BEFORE MADRID MITSUI & CO HAD REPRESENTED NS
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IN MIFERGUI MATTERS.) NS URGED ATTENDANCE OTHER PRINCIPAL

POTENTIAL CONSUMERS. CONSUMERS MET SEPARATELY AT MADRID AND AGREED ON FIVE CONDITIONS FOR MAKING NIMBA PROJECT ACCEPTABLE.

2. FIVE CONDITIONS:

A. SEPARATION NIMBA AND SIMANDOU PROJECTS SO THAT COMMITMENT TO NIMBA DOES NOT ENTAIL COMMITMENT TO DEVELOPMENT EITHER SIMANDOU PROJECT OR ASSOCIATED RAILWAY LINES.

B. AMENDMENT PRESENT MIFERGUI CHARTER PROFIT SHARING ARRANGEMENTS FROM GUINEA 65 PERCENT - B GROUP INVESTORS 35 PERCENT TO 50-50 FORMULA.

C. REORGANIZATION MIFERGUI TO INCLUDE CONSUMERS.

D. PERMISSION TO EXPORT UP TO 15 MILLION TONS IRON ORE PER YEAR VIA LIBERIA USING EXISTING RAILWAYS.

E. RIGHT CONSUMER FIRMS TO WITHDRAW IF FINAL TERMS UNSATISFACTORY.

3. ACCORDING TAKAHASHI GUINEAN GOVT HAS ALREADY INFORMALLY AGREED IN PRINCIPLE TO THESE FIVE CONDITIONS WHICH FORM BASIS OF NS DRAFT OF CONSUMER GROUP'S NEGOTIATING POSITION.

4. RE REFTTEL PARA 1 COMMENT ON NEW FEASIBILITY STUDY, TAKAHASHI STATED JAPANESE GROUP BELIEVES IT VALUABLE FOR CONSUMERS TO JOIN MIFERGUI FIRST AND THEN WITHIN A REORGANIZED MIFERGUI TO PLAN FINAL FEASIBILITY STUDY FULLY MEETING NEEDS OF CONSUMERS AS WELL AS OTHER PARTNERS. HE INDICATED STUDY COMMERCIAL VIABILITY OF PROJECT NOT YET ADEQUATE AND STRESSED THAT ONE MILLION DOLLAR FEASIBILITY STUDY SHOULD NOT BE INTERPRETED AS A MAJOR COMMITMENT BY CONSUMING FIRMS IN PROJECT EXPECTED TO COST AT LEAST \$200 MILLION. NONETHELESS, NS BELIEVES CONSUMER MEMBERSHIP WILL IMPROVE COORDINATION, GENERATE GREATER CONFIDENCE IN MIFERGUI AND IN NIMBA PROJECT, AND LIMITED OFFICIAL USE

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PROVIDE FOR SYSTEMATIC CONSIDERATION CONSUMER VIEWPOINT. HE EMPHASIZED MANY DOUBTS AND DECISIONS REMAIN INCLUDING FINAL ASSESSMENT GUINEAN POLITICAL SITUATION AND ABILITY PARTICIPANTS TO OBTAIN FINANCING.

5. IN CONCLUSION TAKAHASHI NOTED THAT "RATIONALLY" CONDITIONS SEEM RIGHT FOR PROJECT. GUINEA HAS ONE OF WORLD'S RICHEST IRON ORE DEPOSITS AND NEEDS ECONOMIC

DEVELOPMENT AND FOREIGN EXCHANGE EARNINGS. LOCATION
IS MORE FAVORABLE FOR SUPPLYING US AND EUROPE, BUT
JAPAN ALSO ANXIOUS TO DIVERSIFY SOURCES AND REDUCE
DEPENDENCE ON AUSTRALIAN IRON ORE. COST APPEARS TO BE
CONSIDERABLY LESS THAN CARAJAS PROJECT IN BRAZIL.
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